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E.O. 12958: N/A
TAGS: [ECON](#) [EIND](#) [EINV](#) [ETRD](#) [MX](#)
SUBJECT: SONORA PROVIDES SOFT LANDING TO NEW FOREIGN
INVESTMENT

REF: A. MEXICO 864
[B. MEXICO 1884](#)

[1](#)1. SUMMARY. The State of Sonora, often one of Mexico's largest FDI destinations due to its proximity to the U.S. border, has boosted its success in business and capital attraction with its Soft Landing Program. Created as part of the state's incentive package to attract Ford to Hermosillo, the program provides state of the art office space, including all infrastructure and support services, as well as relocation and consulting assistance to businesses free of charge while they establish their permanent facilities in the state. Soft Landing currently operates in Hermosillo and Nogales. A highly educated work force and modern infrastructure coupled with Soft Landing give Sonora a competitive edge in FDI attraction. END SUMMARY.

OPEN FOR BUSINESS - IMMEDIATELY

[1](#)2. Hermosillo PO and Embassy Econoff met with Hector Sanabria, Promotion Director of the Economic Development Council for Sonora, and Martha Campa, Foreign Trade Promotion Director of the Economic Development Council for Sonora. According to Sanabria, Soft Landing was created by the State of Sonora as part of the incentive program to convince Ford to locate in Hermosillo. The creation of the program was mandated in the state's economic development law. Soft Landing makes available modern office space, including all infrastructure such as internet and telecommunications as well as support services from business experts including secretarial services, free of charge to companies who are

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relocating or opening a new facility in Sonora. It also provides facilities to host meetings (including food service) and assistance with relocation such as the location of housing and business properties. Soft Landing can even be used as a physical address during the transition stage. Companies may also consult with a dedicated staff of individuals who research all federal programs and funds to determine all available incentives. The program currently has 16 office spaces available in Nogales and Hermosillo. Four companies are currently working out of the Soft Landing facilities.

AN ECONOMIC TRANSFORMATION

[1](#)3. Sonora, according to Campa, has undergone an economic transformation in the 20 years since Ford arrived in

Hermosillo in 1986. The state is home to 43 industrial parks.

The State's overall development vision is to move its economy towards cutting edge industries such as metal mechanics, software development and aerospace, with one third of all aerospace companies in Mexico having a presence in Sonora. These companies supply such companies as GE, Airbus and Honeywell.

A COMPETENT WORK FORCE

¶4. Sanabria explained that Sonora has 31 universities and eight technical universities which produce 9,000 graduates a year. Sonora, he said, is dedicated to attracting industries with competitive salaries to employ this work force. Over 50 percent of the state's budget is dedicated to education. Nearly 80 percent of the state's population is native to Sonora and the state, he claimed, has the lowest personnel turnover and absenteeism rates in the country. Campa indicated that the state is working with companies to match CONACYT (federal science and technology program that provides scholarships) scholarships in key sectors.

QUALITY INFRASTRUCTURE

¶5. Campa and Sanabria view the state's highly developed infrastructure as one of its best assets when promoting the State. The port of Guaymas is more cost effective than either Long Beach or Manzanillo and is connected via rail through a free trade corridor to the U.S. The Puerto Libertad Gas Terminal is scheduled for completion in 2009. 50 percent of its production will be sold to El Paso Energy. The pair also outlined current infrastructure projects and future goals of the pro-business governor, Eduardo Bours. An alliance exists with Baylor University to construct new

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hospital facilities in Hermosillo. The Governor has created the IMPULSOR project which will create a coastal highway systems, develop the marina in Guaymas and improve tourism infrastructure.

TARGETING SPECIFIC COMPANIES

¶6. A study by the state revealed that 85 percent of support companies and suppliers are tied to one anchor company. Campa highlighted this as a weakness and said that the state is working to develop new markets so that suppliers are not dependent on one client. The goal is to link Tier 1 with Tier 2 and Tier 3 companies (Tier 1 companies produce the final product while Tiers 2 and 3 produce parts of the final product) more effectively. This goal is being achieved through courses at five regional offices that teach Mexican companies how to establish business relationships in the U.S. Campa indicated that Sonora is also focusing on attracting business that can meet all of their supply chain needs in Mexico with inputs from local support services.

ECONOMIC DEVELOPMENT LAW

¶7. The Soft Landing Program was formed as part of the 2002 Sonoran Economic Development law. The law in Sanabria's words provided fiscal and non fiscal incentives and legal certainty to investors in the state. Some incentives are specifically tied to projects. A major goal of the law, he continued, is to provide prompt and reliable assistance with all permitting, licensing and other government procedures. Soft Landing creates linkages to all three levels of government. The program originally began with half of its funding from the private sector and half from the public sector. In 2002, 15 percent of its funding came from a two percent State payroll tax. All Soft Landing projects must be

approved by a state economic development council comprised of government authorities, union leaders and businessman. Both Sanabria and Campa noted that Governor Bours is the first businessman turned politician in Sonora and that he has become very active in Soft Landing and the economic development process.

DEVELOPMENT CHALLENGES

18. Hermosillo PO and Embassy Econoff met with Ricardo Platt, Secretary of the Economy for the state of Sonora on April 4.

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Platt recently left the private sector to take this position at the request of the Governor. He explained that some issues, such as some of the world's highest telephone and internet rates that are charged by Telmex (according to the OECD), frustrated him in the private sector and are now an impediment in his work to attract foreign investment. According to Platt, while the state will do everything it can to get Telmex to lower its rates, it must find other incentives that outweigh this disincentive in the interim. Platt agreed with other industry groups (REF A) that it is difficult to attract foreign investment when there is not one voice representing Mexico to potential investors. He alluded to a Sonora delegation that was in Texas and how the state is determining where and how it should market itself in the U.S. in relation to other Mexican government trade promotion efforts in the U.S.

19. Platt mentioned that Sonora has been contacted by other states who would like to use the Soft Landing program as a model for how to improve their own economic development. Platt does not foresee drastic changes in economic development in Sonora, or the Soft Landing Program, regardless of the outcome of the upcoming presidential election. He noted that the program has continued during two gubernatorial administrations and is working now with a Mexican President from one party, a Governor from a second and the mayor from Hermosillo a third. This experience, in Platt's view, has prepared the state to work with all political parties.

COMMENT

110. Sonora's Soft Landing program has been a success for nearly five years during which industry groups and other

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states have publicly and privately complained about the difficulties of attracting investment due to the lack of incentives they can offer at the state and local level (REFS A and B). This issue has been discussed by the economic advisors of all of the leading candidates in the upcoming presidential election. The Sonoran model has demonstrated that it can be effective even when different government authorities come from opposing parties. The Soft Landing program should be considered as a model for other states to consider in their attempts to attract FDI and for the new federal government as it reviews its investment and trade promotion strategy.

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